

From: "Jr. R. Carl Palmer" <carl.palmer@bankmercantile.com> on 02/16/2006 12:05:03 PM

Subject: Interagency Concentrations in Commercial Real Estate Lending

Jr. R. Carl Palmer
Boca Raton, FL 33433-7896

February 16, 2006

Jennifer Johnson

Dear Jennifer Johnson:

I am writing to comment on the Guidance being proposed for commercial real estate lending. Commercial real estate lending is an extremely important part of the economy in Florida. It is extremely important in the South Florida market to accomodate the very healthy growth that is occuring here.

We understand the need for sound lending and sound loan portfolios. I believe that the Guidance as announced will have a negative overall effect on the economy, which will afeect our Bank and all financial institutions.

My concerns are most focused on the way in which examiners will interpret and enforce the proposed Guidance, which appear to be a whole new set of rules of the game.

Each financial institution is different. Thus in looking at concentrations there should not be a one size fits all approah.response. Each of our institutions has a different history, different controls, different portfolios, and different markets. When those in the field determine there is a concentration any response needs to be tailored for the specific circumstances.

We hope the Guidance will make it very clear that if concentration thresholds are exceeded it does not automatically require a capital increase. Any increase should be in the context of the circumstances of the particular institution.

Perhaps most importan of all, the Guidance should expressly indicate that its purpose is not to discourage commercial real estate lending. As the Guidance is currently proposed, that appears to be the intent, which could create severe consequences.

If the Guidance is imposed in a mechanical or arbitrary manner or if it is intended to effect a policy shift discouraging commercial real estate lending then I fear grave consequences. Secured real estate lending has been the bread and butter of banks in Florida.

Perhaps most important, if the message is perceived to be that commercial real estate lending has great regulatory risk, then such loans will significantly diminish. This will lead to a downturn in our economy that will create systemic problems for banks far beyond the risk of commercial real estate loans.

I thank you for your consideration of these concerns and comments and hope that the final Guidance will address them in a meaningful way

Sincerely,

R. Carl Palmer, Jr.